

Message Text

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ACTION AID-05

INFO OCT-01 EUR-12 EA-06 ISO-00 IO-10 EB-07 TRSE-00 SP-02

L-03 IGA-01 OMB-01 CIAE-00 INR-07 NSAE-00 SS-15 NSC-05

CIEP-01 (ISO) W

----- 008062

R 300849Z JUL 75

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 2060

INFO AMEMBASSY BANGKOK

AMEMBASSY BONN

AMEMBASSY MANILA

AMEMBASSY CANBERRA

AMEMBASSY OTTAWA

AMEMBASSY VIENTIANE

WELLINGTON 901

C O N F I D E N T I A L TOKYO 10465

E.O. 11652: GDS

TAGS: EAID, EFIN, LA, JA

SUBJ: CONTINUING US PARTICIPATION NAM NGUM II

REF: A) STATE 175058 B) STATE 175389 C) STATE 175388

SUMMARY: GOJ RECEIVED ADB LETTER OF JULY 15 REQUESTING
ADDITIONAL JAPANESE FINANCING OF 7.361 MILLION DOLLARS FOR
NAM GNUM. GOJ HAS INFORMED BANK IT WILL STUDY REQUEST
FOLLOWING BANK CLARIFICATION OF PGNU INTENTIONS,
STATUS OF THAILAND-LAOS CONTRACT FOR SALE OF NAM NGUM
ELECTRICITY, AND SECURITY SITUATION AT NAM NGUM WORKSITE.
USG TERMINATION OF EXISTING LOAN FOR NAM NGUM WOULD COME AS
SHOCK TO JAPANESE MAKE IT DIFFICULT FOR GOJ TO CONTINUE
DONOR ROLE, AND PROBABLY LEAD TO COLLAPSE OF ENTIRE
PROJECT. FONOFF REQUESTS USG VIEWS RE NAM NGUM
DONORS'S MEETING IN FALL. END SUMMARY.

1. ON JULY 29, DRAWING ON REFTTEL, EMBOFF DISCUSSED
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NAM NGUM PROJECT WITH FONOFF REPS (TANIDA, DIRECTOR,

AND KAWAMURA OF FIRST ECONOMIC COOPERATION DIVISION).
IN RESPONSE, THEY MADE FOLLOWING POINTS:

2. FONOFF IS NOT YET AWARE OF EXISTENCE OR CONTENTS
OF ADB BOARD DOCUMENT 80-75 AND THUS UNABLE TO COMMENT
ON IT. FONOFF HAS RECEIVED COPY OF ADB JULY 15 LETTER
TO GOJ DIRECTOR WHICH EXPLAINS NEED FOR 9.956
MILLION DOLLARS IN ADDITIONAL FINANCING FOR NAM NGUM,
REQUESTS JAPANESE CONTRIBUTION OF 7.361 MILLION DOLLARS,
AND EXPRESSES ADB HOPE THAT CANADA, AUSTRALIA, AND NEW
ZEALAND WOULD PROVIDE BALANCE OF 2.595 MILLION DOLLARS.
UPON RECEIPT OF THIS LETTER, GOJ DIRECTOR IMMEDIATELY
NOTED NO MENTION WAS MADE OF ANY CONTRIBUTION BY USG AND
ASKED ADB OFFICER IN CHARGE OF NAM NGUM FOR CLARIFICATION,
BUT FONOFF HAD BEEN UNAWARE UNTIL CONVERSATION WITH EMBOFF
THAT USG WILL DEFINITELY BE UNABLE TO PARTICIPATE IN
FINANCING OF OVERRUNS.

3. FOLLOWING RECEIPT OF ADDITIONAL SUPPORTING DOCUMENTS
FROM ADB AND CONSULTATIONS WITH OTHER MINISTRIES,
FONOFF HAS INFORMED ADB THAT GOJ WILL BE UNABLE TO
RESPOND AFFIRMATIVELY TO ADB REQUEST UNTIL ADEQUATE
INFO IS AVAILABLE ON FOLLOWING THREE POINTS: A) WHETHER
PGNU, FOLLOWING CONSOLIDATION OF CONTROL BY PATHET LAO,
INTENDS TO PROCEED WITH NAM NGUM PROJECT: B) WHETHER
EARLIER AGREEMENT BETWEEN THAILAND AND LAOS REGARDING
SALE OF NAM NGUM ELECTRICITY TO THAILAND REMAINS VALID
(PROCEEDS FROM SALE OF ELECTRICITY ARE INDISPENSABLE TO
LAOTIAN REPAYMENT OF NAM NGUM LOANS, IN GOJ VIEW);
AND, C) WHETHER ADEQUATE SECURITY EXISTS AT NAM NGUM
WORKSITE TO ALLOW IMPLEMENTATION TO PROCEED. GOJ HAS
IN MIND RECENT EXPULSION OF NUMBER OF JAPANESE OVERSEAS
VOLUNTEERS FROM LAOS AND THEIR QTE BAD TREATMENT
BY LOCAL AUTHORITIES UNQTE WHICH, IN GOJ VIEW, PGNU
SEEMED UNABLE TO CONTROL. IT IS THUS IMPORTANT TO GOJ
THAT PGNU BE ABLE TO ASSURE SECURITY OF JAPANESE
WORKING ON NAM NGUM. FINALLY, FONOFF TOLD ADB THAT
GOJ WOULD BE UNABLE TO REPLY TO ADB REQUEST BY TIME
GOAL OF JULY 31, BUT THAT ONCE ABOVE POINTS HAD BEEN
CLARIFIED GOJ WAS REDY TO QTE STUDY UNQTE QUESTION OF
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ADDITIONAL FINANCING.

4. RE VIABILITY OF PROJECT UNDER PRESENT ECONOMIC/
POLITICAL SITUATION IN LAOS, TANIDA SAID THAT EXCEPT
FOR QUESTIONS RAISED ABOVE, FONOFF HAD RECEIVED
NO GENERAL ASSESSMENT FROM GOJ EMBASSY VIENTIANE WHICH
WOULD INDICATE THAT NAM NGUM COULD NOT GO FORWARD.

5. RE USG REVIEW OF PRESENT PARTICIPATION UNDER EXISTING LOAN, TANIDA SAID IT WOULD COME AS QTE A BIG SHOCK UNQTE TO GOJ IF USG SHOULD WITHDRAW OR TERMINATE ITS PARTICIPATION IN PROJECT. UNDER SUCH CIRCUMSTANCES GOJ WOULD FACE CONSIDERABLE DIFFICULTIES IN CARRYING ON, HE SAID. HEDOUBTED WHETHER THE ADB WOULD SEEK AN ALTERNATE DONOR TO ASSUME THE USG ROLE, AND SUSPECTED QTE THE WHOLE SCHEME WOULD COLLAPSE UNQTE.

6. TANIDA POSED TWO QUESTIONS: A) IS THERE ANY PRECEDENT OF USG TERMINATION OF DISBURSEMENT OF DEVELOPMENT LOAN SUCH AS NAM NGUM FOLLOWING FORMAL COMMITMENT OF THE LOAN? B) WHAT IS USG POSITION RE NAM NGUM DONORS' MEETING WHICH ADB WILL LIKELY WISH TO HOLD IN AUGUST OR SEPTEMBER IN ABSENCE OF NEW DONOR PLEDGES BY JULY 31?

7. ACTION REQUESTED: DEPT PROVIDE RESPONSES TO TANIDA'S QUESTIONS PARA 6 ABOVE.
SHOESMITH

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NNN

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